

TOWNSHIP OF SAGOLA
(Dickinson)

Financial Report
With Supplemental Information
Prepared in Accordance with GASB 34

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF SAGOLA	County DICKINSON
Audit Date MARCH 31, 2004	Opinion Date MAY 27, 2004	Date Accountant Report Submitted to State: SEPTEMBER 22, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

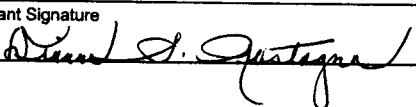
Certified Public Accountant (Firm Name) DS ROSTAGNO, CPA, P.C.			
Street Address 101 WEST MAPLE STREET	City IRON RIVER	State MI	ZIP 49935
Accountant Signature 		Date SEPTEMBER 22, 2004	

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DS Rostagno, CPA, P.C.

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Board of Trustees
Township of Sagola
Channing, Michigan 49815

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the **Township of Sagola**, as of and for the fiscal year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Sagola** at March 31, 2004, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

As described in Note A, the **Township of Sagola** has implemented a new financial reporting model, as required by the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 01, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2004 on our consideration of the **Township of Sagola's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 15 and the budgetary comparison information are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Sagola's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

May 27, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAGOLA TOWNSHIP
BOX 195
CHANNING, MI 49815

The management of the **Township of Sagola** provides this narrative overview and analysis of the financial activities of the Township of Sagola for the fiscal year ended March 31, 2004. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, Township property, public safety, public works, cemetery, sanitation, culture and recreation. The business-type activity of the Township is the Sewer Utility service.

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Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general, fire, recreation, and road funds, all of which are considered major funds. The Liquor Law Enforcement Fund is a non-major governmental fund. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

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Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Sewer Utility Fund is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

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Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 1,958,063 at March 31.

By far, the largest portion of the Township's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At March 31, 2004, the Township reported \$ 1,151,653 in net assets invested in capital assets net of related debt.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 433,783 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$ 882,041 and \$ 1,076,022, respectively.

Summary of Net Assets

The following summarizes the net assets at fiscal year ended March 31, 2004:. Although GASB 34 requires that comparative financial data be presented, since this is the first year of implementation, prior year data is not available. Comparative financial data will be included in this schedule in subsequent years.

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 726465	\$ 127616	\$ 854081
Capital assets, net	<u>199952</u>	<u>1006701</u>	<u>1206653</u>
Total Assets	926417	1134317	2060734

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Government-wide Financial Analysis (Continued)

Summary of Net Assets (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Liabilities</u>			
Long-term liabilities	\$ 0	\$ 50000	\$ 50000
Other liabilities	<u>44376</u>	<u>8295</u>	<u>52671</u>
Total Liabilities	44376	58295	102671
<u>Net Assets</u>			
Invested in capital assets, net of related debt	199952	951701	1151653
Restricted	248306	124321	372627
Unrestricted	<u>433783</u>	<u>0</u>	<u>433783</u>
Total Net Assets	882041	1076022	1958063

For governmental activities, net assets increased by \$ 4,969 during the fiscal year. For business-type activities, net assets decreased by \$ 23,524 during the fiscal year.

Results of Operations

For the fiscal year ended March 31, 2004, the government-wide results of operations were as follows: (Please note that since this is the first year of implementation of GASB 34, prior year financial data is not available, but will be provided in subsequent years).

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>REVENUES</u>			
<u>Program Revenues</u>			
Charges for Services	\$ 27677	\$ 39246	\$ 66923
<u>General Revenues</u>			
Property taxes	96804		96804
Other taxes	75477		75477
Unrestricted grants	83952		83952
Other	<u>16988</u>	<u>1310</u>	<u>18298</u>
Total Revenues	300898	40556	341454

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Government-wide Financial Analysis (Continued)

Results of Operations (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>EXPENSES</u>			
General government	\$ 53883	\$	\$ 53883
Legislative	25762		25762
Township property	50079		50079
Public safety	21468		21468
Public works	63817		63817
Cemetery	5447		5447
Sanitation and health	36226		36226
Culture and recreation	24601		24601
Depreciation	<u>14646</u>		<u>14646</u>
Total governmental expenses	295929	-0-	295929
<u>Business-type activities:</u>			
Sewer		<u>64080</u>	<u>64080</u>
Total business-type expenses	-0-	64080	64080
TOTAL EXPENSES			\$ 360009
Increase (Decrease) in net assets before transfers			(18555)
Transfers - net			0
Increase (Decrease) in Net Assets			(18555)
Net Assets, beginning of year			<u>1976618</u>
Net Assets, end of year			\$ <u>1958063</u>

SAGOLA TOWNSHIP
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Governmental Activities

Property taxes and other tax revenues comprise \$ 172,281 or approximately 57 percent of total governmental revenues.

The Township also collected \$ 22,472 for garbage collection services. And, at fiscal year-end, the Township reported \$ 83,952 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The Township expended \$ 295,929 on governmental programs and services. Some of the largest expense categories were for public works, where \$ 63,817, or 21.6 percent of total governmental expenditures was used for road repair, \$ 53,883, or 18.2 percent of the total was used for general government, and \$ 50,079, or 16.9 percent of total governmental expenditures was used to maintain Township property.

Business-type Activities

Business-type activities decreased the Township's net assets by \$ 23,524. Charges for services for the Sewer activities for the year ended were \$ 39,246. Total expenses for the Sewer activities for the year ended were \$ 64,080.

Financial Analysis of the Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

SAGOLA TOWNSHIP
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Governmental Funds (Continued)

The Township's governmental funds reported combined ending fund balances of \$ 788,189, of which \$ 286,666 is reserved and the remaining \$ 501,523 is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues greater than the final projection. Total expenditures were considerably less than the final projection. At fiscal year-end, the fund balance was higher than either the original or the final amended budget projections.

General fund financial and budgetary highlights of the fiscal year include:

- * Property taxes, administration fees, and other taxes exceeded budgetary projections by \$ 13,174.
- * State sales tax distributions were up from the final amended budget, coming in at \$ 83,952, which exceeds by \$ 8,948 the budgeted estimates of \$ 75,004.
- * Fees for garbage collection were \$ 22,472, exceeding by \$ 7,472 the final amended budget of \$ 15,000.
- * Expenditures in total for the general fund were \$ 173,198, less than the final amended budget by \$ 105,335. This was largely due to the fact that expenditures for legislative activities and Township Hall expenditures were considerably less than the amounts appropriated for these purposes.

Special revenue funds financial and budgetary highlights of the fiscal year include:

- * In the Fire Fund, general property taxes were slightly higher than anticipated, while spending for public safety and capital outlay was slightly less than budgeted.

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Governmental Funds (Continued)

The Recreation Fund's special assessment for Sawyer Lake weevil infestation treatment was equal to the final budgeted amount, having been amended from the original budget which did not include this revenue. Likewise, expenditures for treating this problem were also an amendment from the original budget. Actual costs came in very close to the final budgeted amounts.

Road repair costs incurred during the year were considerably less than the amounts budgeted. This surplus will be available for future use.

Total expenditures in the special revenue funds were \$ 118,646, which is \$ 39,434 less than the budgeted amount of \$ 158,080.

Proprietary Funds

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at year-end were \$ 126,641. The change in net assets was a loss of \$ 23,524. Net assets for the beginning of the year were restated to reflect a cumulative effect of a change in accounting principal, resulting from the elimination of contributed capital as required by GASB 34. Other factors concerning the finances of these funds have already been addressed in the discussion of the Township's business-type activities.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 1,206,653. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 1,737,508 or approximately 73 percent of the estimated original cost of total assets. All infrastructure is accounted for in the Sewer Fund. There is no infrastructure attributed to the General Fund.

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Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

Major capital events during the current fiscal year included:

- * Purchase of playground equipment in the Recreation Fund totalling \$ 5,476.
- * Purchase of an inflatable ice rescue boat for \$ 2,995.

Long-term debt

As of March 31, the Township (including the enterprise funds) had total bonded debt outstanding of \$ 55,000, all of which is backed by the full faith and credit of the government.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation is significantly higher than the Township's outstanding general obligation debt.

Currently, the bond program does not maintain underlying bond ratings.

Other Economic Factors and Next Year's Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a fiscally sound budget.

Despite the poor outlook of the State's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

**SAGOLA TOWNSHIP
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Other Economic Factors and Next Year's Budget (Continued)

Economic Factors (Continued)

The Township's fiscal year 2004-2005 general fund budget is \$ 470,612 representing a slight increase from the previous fiscal year.

There are no significant plans or major priorities for the Township for the 2004-2005 fiscal year, nor are there any significant tax rate or fee changes being implemented.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Sagola Township
Channing, Michigan 49815

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF SAGOLA

STATEMENT OF NET ASSETS

MARCH 31, 2004

	<u>PRIMARY GOVERNMENT</u>		<u>TOTAL</u>
	<u>GOVERNMENTAL</u>	<u>BUSINESS-</u>	<u>REPORTING</u>
	<u>ACTIVITIES</u>	<u>TYPE</u>	<u>ENTITY</u>
		<u>ACTIVITIES</u>	
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents (Note C)	\$ 537475	\$ 11391	\$ 548866
Receivables			
Taxes	8700		8700
Accounts Receivable	701	6280	6981
Due from Other Governmental Units			0
Inventories	2074		2074
Prepaid Expenses			0
Total Current Assets	548950	17671	566621
<u>Noncurrent Assets</u>			
Restricted Cash	177515	109945	287460
Capital Assets, Net (Note H)	<u>199952</u>	<u>1006701</u>	<u>1206653</u>
Total Noncurrent Assets	377467	1116646	1494113
TOTAL ASSETS	926417	1134317	2060734
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	44376		44376
Accrued Salaries and Benefits			0
Deferred Revenue		3295	3295
Bonds/Notes Payable, Due within one year (Note I)		6000	6000
Compensated Absences, Due within one year			0
Total Current Liabilities	44376	9295	53671
<u>Noncurrent Liabilities</u>			
Bonds/Notes Payable (Note I)		49000	49000
Compensated Absences Payable			0
Long-term Employee Benefits Payable			0
Total Noncurrent Liabilities	0	49000	49000
TOTAL LIABILITIES	44376	58295	102671
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	199952	951701	1151653
Restricted for Fire Protection	184334		184334
Restricted for Recreation	2418		2418
Restricted for Road Repair	54633		54633
Restricted for Liquor Law Enforcement	6921		6921
Restricted for Sewer Fund Repairs/ Improvements		124321	124321
Unrestricted	<u>433783</u>		<u>433783</u>
TOTAL NET ASSETS	\$ 882041	\$ 1076022	\$ 1958063

The notes to the financial statements are integral part of this report.

TOWNSHIP OF SAGOLA

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICE</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS</u>
Primary Government -	\$	\$	\$	\$
General government	53883	994		
Legislative	25762			
Township property	50079	250		
Public safety	21468	2111		
Public works	63817			
Cemetery	5447	1850		
Sanitation and health	36226	22472		
Culture and recreation	24601			
Depreciation (Unallocated)	14646			
Total Governmental Activities	295929	27677	0	0
 <u>Business-type Activities</u>				
Sewer	64080	39246		
Total Business-type Activities	64080	39246	0	0

General Revenues:

Taxes:

Property taxes levied for general operations
Property taxes levied for fire protection services
Special assessment for recreation
Other taxes and fees
State Sales Tax Distribution
Sale of Property
Interest and Investment Earnings
Other

Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

TOWNSHIP OF SAGOLA

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (52889)	\$	\$ (52889)
(25762)		(25762)
(49829)		(49829)
(19357)		(19357)
(63817)		(63817)
(3597)		(3597)
(13754)		(13754)
(24601)		(24601)
<u>(14646)</u>		<u>(14646)</u>
(268252)	-0-	(268252)
<u> </u>	<u>(24834)</u>	<u>(24834)</u>
-0-	(24834)	(24834)
54805		54805
41999		41999
23700		23700
51777		51777
83952		83952
0		0
15517	1310	16827
<u>1471</u>		<u>1471</u>
<u>273221</u>	<u>1310</u>	<u>274531</u>
4969	(23524)	(18555)
<u>877072</u>	<u>1099546</u>	<u>1976618</u>
\$ <u>882041</u>	\$ <u>1076022</u>	\$ <u>1958063</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

MARCH 31, 2004

	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>RECREATION FUND</u>	<u>ROAD FUND</u>
<u>ASSETS</u>				
Cash and Investments (Note C) \$	\$	\$	\$	\$
Unrestricted	293567	181136	1218	54633
Restricted	177515			
Receivables:				
Taxes	4302	3198	1200	
Accounts Receivable	701			
Due from Other Funds	67740	38166	300	
Inventories	2074			
TOTAL ASSETS	\$ 545899	\$ 222500	\$ 2718	\$ 54633
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	44376			0
Due to Other Funds	0	60		0
TOTAL LIABILITIES	44376	60	0	0
<u>FUND BALANCES</u>				
Reserved for Fire Protection		222440		0
Reserved for Recreation			2718	
Reserved for Road Repair				54633
Reserved for Liquor Law Enforcement				
Unreserved and undesignated	501523			0
TOTAL FUND BALANCES	501523	222440	2718	54633
TOTAL LIABILITIES AND FUND BALANCES	\$ 545899	\$ 222500	\$ 2718	\$ 54633

TOWNSHIP OF SAGOLA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

MARCH 31, 2004

<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 6921	\$ 537475
	177515
	8700
	701
	106206
	<u>2074</u>
\$ <u>6921</u>	\$ <u>832671</u>
	44376
<u>46</u>	<u>106</u>
46	44482
	222440
	2718
	54633
6875	6875
	<u>501523</u>
6875	788189
\$ <u>6921</u>	\$ <u>832671</u>

The notes to the financial statements are in integral part of this report.

TOWNSHIP OF SAGOLA

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2004

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 788189

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of capital assets is:

626778

Accumulated depreciation is:

(426826)

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable

0

Compensated Absences

0

Other long-term assets not available to pay current period expenditures therefore deferred in the funds

0

Accrued interest is not included as a liability in governmental funds

0

Amounts due to other non-governmental funds are not reported in the government-wide financial statements

(106100)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES

\$ 882041

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**

MARCH 31, 2004

	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>RECREATION FUND</u>	<u>ROAD FUND</u>
REVENUE				
General Property taxes	\$ 54805	\$ 40688		
Other local taxes	37588	1311	23700	0
Penalties and interest on taxes				
Licenses, permits, and fines	994			
Sale of property				
Use of money and property	13559	2696		712
Charges for services	38511			
Miscellaneous	240	31		
Recovered costs				
Intergovernmental	<u>83952</u>	<u>200</u>		
TOTAL REVENUE	\$ 229649	\$ 44926	\$ 23700	\$ 712
EXPENDITURES				
Current Operating:				
General government	53883			
Legislative	25762			
Township property	50079			
Public safety		20583		
Public works				63817
Cemetery	5447			
Sanitation and health	36226			
Culture and recreation			24601	
Community development				
Capital Outlay	1801	2995	5765	
Intergovernmental Payments				
TOTAL EXPENDITURES	173198	23578	30366	63817
Excess (Deficiency) of Revenues Over Expenditures	56451	21348	(6666)	(63105)
Other Financing Sources (Uses)				
Operating transfers in		0		30000
Operating transfers out	<u>(30000)</u>			
TOTAL OTHER FINANCING SOURCES (USES)	(30000)	0	0	30000
NET CHANGE IN FUND BALANCES	26451	21348	(6666)	(33105)
FUND BALANCES - BEGINNING OF YEAR	475072	201092	9384	87738
FUND BALANCES - END OF YEAR	\$ <u>501523</u>	\$ <u>222440</u>	\$ <u>2718</u>	\$ <u>54633</u>

TOWNSHIP OF SAGOLA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

MARCH 31, 2004

OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 0	\$ 95493
	62599
	0
	994
	0
	16967
	38511
	271
	0
<u>1911</u>	<u>86063</u>
\$ 1911	\$ 300898
0	53883
0	25762
0	50079
885	21468
	63817
	5447
	36226
0	24601
	0
	10561
<u>0</u>	<u>0</u>
885	291844
1026	9054
0	30000
<u>0</u>	<u>(30000)</u>
0	0
1026	9054
5849	779135
\$ <u>6875</u>	\$ <u>788189</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 9054

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(14646)
Capital Outlay	<u>10561</u>

Total	(4085)
-------	--------

Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	0
---	---

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	0
--	---

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	0
---	---

Increases (Decreases) in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	0
---	---

Eliminate interfund transfers to non-governmental funds	<u>0</u>
---	----------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>4969</u></u>
---	-----------------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND**

MARCH 31, 2004

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<i>Current Assets</i>	
Cash, unrestricted	\$ 11391
Accounts Receivable, net	6280
Due from other funds	<u>2819</u>
Total Current Assets	20490
<i>Noncurrent Assets</i>	
Restricted cash	109945
Capital assets:	
Equipment	2436
Infrastructure	1737508
Less:	
Allowance for depreciation	<u>(733243)</u>
Total capital assets, net	<u>1006701</u>
Total Noncurrent Assets	1116646
TOTAL ASSETS	\$ 1137136
<u>LIABILITIES</u>	
<i>Current Liabilities</i>	
Due to other funds	499
Deferred revenue	3295
Current portion of long-term debt	<u>6000</u>
Total Current Liabilities	9794
<i>Noncurrent Liabilities</i>	
Revenue bonds payable	<u>49000</u>
Total Noncurrent Liabilities	49000
TOTAL LIABILITIES	58794
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	951701
Restricted for sewer maintenance and and repair	<u>126641</u>
TOTAL NET ASSETS	\$ 1078342

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND**

MARCH 31, 2004

	SEWER FUND
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 39246
Equipment Rental	0
Miscellaneous	<u>0</u>
TOTAL OPERATING REVENUES	39246
<u>OPERATING EXPENSES</u>	
Personal Services and Benefits	9646
Contractual Services	3776
Repairs and Maintenance	736
Other Supplies and Expenses	3764
Administrative Expenses	0
Depreciation	43786
Miscellaneous	<u>90</u>
TOTAL OPERATING EXPENSES	61798
OPERATING INCOME (LOSS)	(22552)
NON-OPERATING REVENUES (EXPENSES)	
Interest Revenue	1310
Interest Expense	<u>(2282)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(972)
CHANGE IN NET ASSETS	(23524)
NET ASSETS, APRIL 01, BEFORE RESTATEMENT	235374
Add:	
Cumulative Effect of a Change in Accounting Principles	<u>866492</u>
NET ASSETS, APRIL 01, AFTER RESTATEMENT	1101866
NET ASSETS, MARCH 31	\$ <u>1078342</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 40088
Other operating revenues	0
Cash payments to employees for services	(9646)
Cash payments for goods and services	(8366)
Other operating expenses	<u>0</u>

NET CASH FROM OPERATING ACTIVITIES	22076
------------------------------------	-------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	0
(Increase) decrease in due from other funds	260
Net operating transfers in (out)	<u>0</u>

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	260
---	-----

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	0
Principal payment on long-term bonds	(22000)
Interest paid on long-term bonds	(2282)
Interest and tax expense	0
Proceeds from borrowing	0
Contributed capital grants	<u>0</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(24282)
--	---------

INVESTING ACTIVITIES

Interest income	<u>1310</u>
-----------------	-------------

NET CASH FROM INVESTING ACTIVITIES	1310
------------------------------------	------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(636)
---	-------

Cash and Cash Equivalents, Beginning of Year	<u>121972</u>
--	---------------

Cash and Cash Equivalents, End of Year	\$ 121336
--	-----------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$	\$ (22552)
Adjustment to reconcile operating income to net cash provided by operating activities:		
. Depreciation	43786	
. Provision for uncollectible accounts	0	
. Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	488	
Increase (Decrease) in accounts payable	0	
Increase (Decrease) in deferred revenue	354	
Increase (Decrease) in customer deposits	0	
NET ADJUSTMENTS		<u>44628</u>
NET CASH FROM OPERATING ACTIVITIES	\$	<u>22076</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2004

	AGENCY FUND
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>341037</u>
TOTAL ASSETS	341037
 <u>LIABILITIES</u>	
Due to Other Funds	108420
Due to Other Governmental Units	<u>232617</u>
TOTAL LIABILITIES	341037
 NET ASSETS	\$ <u>0</u>

The notes to the financial statements are an integral part of this report.

**NOTES TO THE FINANCIAL
STATEMENTS**

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the **Township of Sagola**, Channing, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The **Township of Sagola** covers an area of approximately 162 square miles. The Township operates under an elected Council (5 members) and provides services to more than 1166 residents in many areas including fire protection, street development and maintenance, and sewer services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units reported in the audited financial statements for the Township of Sagola.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES (Continued)

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

BASIS OF PRESENTATION

The accounts of the Township of Sagola are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Township has created several types of funds.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

The Township follows GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

*Government-wide financial statements
(Continued)*

Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary comparison schedule

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules (Continued)

Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION

GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

*Cumulative Effect of a Change in Accounting
Principle*

With the implementation of GASB 34, the opening retained earnings balance in the Township's Sewer Fund was adjusted to reflect the cumulative effect of a change in accounting principle.

The Township had previously adopted the reporting prescribed by the National Council on Governmental Accounting (NCGA Statement No. 2, "Grant Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments").

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

*Cumulative Effect of a Change in Accounting
Principle* (Continued)

The statement required that the depreciation of fixed assets purchased with restricted grant funds or shared revenue be closed directly to the contributed capital account that was created when the restricted or shared revenue was received. The contributed capital account, less accumulated amortization, was a component of the fund equity.

This statement was superseded by GASB Statement 34, which no longer recognizes the contributed capital amount.

The result was a substantial cumulative effect of a change in accounting principle, which effectively restated the opening retained earning balance and eliminated the previous deficit in the Sewer Fund.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

The following is a brief description of the specific funds used by the Township.

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

For reporting purposes, the General Fund is always considered to be a major fund.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's *Liquor, Fire, Recreation, and Road Repair* funds are Special Revenue Funds.

The Fire, Recreation and Road Repair funds are considered to be major funds for reporting purposes. The Liquor Law Enforcement fund is considered a non-major fund for reporting purposes.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

There is currently no debt service fund for the Township.

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

There is currently no capital projects fund for the Township.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

The Township's Sewer Fund is an Enterprise Fund. It is also a major fund for reporting purposes.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Township's *Current Tax Collection Fund* is a Fiduciary Fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

Currently, the Township has no expendable trust funds.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

ENCUMBRANCES (Continued)

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as interfund accounts receivable and payable in the financial statements. These interfund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY (Continued)

Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

RESERVED FUND BALANCES

The fund balance of the fire fund is reserved to provide fire protection services.

The fund balance in the Recreation Fund is reserved for recreation.

The fund balance in the Road Fund is reserved for road repair.

The fund balance in the Liquor Law Enforcement Fund is reserved for liquor law enforcement.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RESERVED FUND BALANCES (Continued)

Retained earnings in the Sewer Fund is reserved for sewer repairs and improvements.

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**BUDGETS AND BUDGETARY ACCOUNTING
(Continued)**

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

Property tax revenues are recognized in the fiscal year for which they have been levied and become available. The Township bills and collects its own property taxes and also collects taxes for the County and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Collection Fund (The Trust and Agency Fund).

The delinquent real property taxes of the Township are purchased by the County of Dickinson with proceeds from the sale of tax notes.

During the fiscal year ended March 31, 2004, the Township properties had a taxable value of \$ 40,728,531, on which was levied 1.3458 mills to finance general operations, .9991 mill for fire protection, and 1.0000 mill to finance ambulance services.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX (Continued)

In addition, the Sawyer Lake residents will be assessed an annual special assessment for a period of 5 years to offset the cost of the treatment of a weevil infestation on the Sawyer Lake.

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds (when applicable) and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings.....	20 - 30 years
Infrastructure.....	10 - 65 years
Furniture and Other Equipment.....	5 - 20 years

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

To the extent the Township's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements..... 20 years

Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

The Township has no employees eligible to accrue vacation or sick pay.

POST EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - INTERFUND ACTIVITIES

INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables do not represent interfund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

The amounts of the interfund receivables and payables as of March 31, 2004 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 67740	\$ 0
Trust and Agency	0	108420
Fire	38466	60
Sewer	2819	499
Liquor Law	0	46
Totals	\$ <u>109025</u>	\$ <u>109025</u>

The above amounts do not represent interfund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS

Interfund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the current fiscal year, the General Fund transferred \$ 30,000 to the Road Fund for road repair.

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

CASH RESERVE - SEWER FUND

The bonding ordinance for the sewer fund requires certain cash balances be reserved for bond repayment, depreciation, repair and replacement. These funds, which total \$ 109,945, are held in federally insured money market accounts and are properly funded.

PRIMARY GOVERNMENT

On March 31, 2004, the carrying value of the Township's deposits (Primary Government) was \$ 1,177,363 and is comprised of cash and deposits reflected in the following funds:

<i>Governmental Funds</i>	
General Fund	\$ 471082
Liquor Law Enforcement Fund	6921
Fire Fund	181136
Recreation Fund	1218
Road Fund	<u>54633</u>
<i>Total Governmental Funds</i>	<i>714990</i>

(Continued on page 67)

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

(Continued from previous page)

<i>Enterprise Funds</i>	\$	
Sewer Fund		<u>121336</u>
<i>Total Enterprise Funds</i>	\$	121336
<i>Fiduciary Funds</i>		
Tax Collection Fund		<u>341037</u>
<i>Total Fiduciary Funds</i>	\$	341037
<i>Total Primary Government</i>	\$	1177363

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The three levels of risk are as follows:

- | | |
|------------|--|
| Category 1 | Deposits which are insured or collateralized with securities held by the Township or by its agent in the Township's name. |
| Category 2 | Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name. |
| Category 3 | Deposits which are not collateralized or insured. |

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Based on these levels of risk, the Township's cash deposits (Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 100036	\$ -0-	\$ 1077327	\$ 1177363

INVESTMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

There are no investments for the Township, as reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with its investment policy.

NOTE D - PENSION PLAN

DESCRIPTION OF PLAN AND PLAN ASSETS

The Township maintains a fully funded pension plan for its full-time employees and trustees through Manulife Financial. The contribution for the year ended March 31, 2004 was \$ 3,238, of which \$ 750 was contributed through payroll withholding. The plan is fully funded by annuity contracts. On the most recent statement prepared, as of December 2003, the value of the account was \$ 16,352.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

The Township of Sagola's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the Township of Sagola were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

There were no expenditures that exceeded the amended budget allocations.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2004, the Township had no fund balance/retained earnings deficit in any fund.

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2004:

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

	Balance March 31, 2003	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land and Land Improvements	<u>85641</u>	<u>0</u>	<u>0</u>	<u>85641</u>
Total Capital Assets Not Being Depreciated	\$ 85641	\$ 0	\$ 0	\$ 85641
<u>Other Capital Assets</u>				
Buildings	178318	0	0	178318
Furniture & Other Equip.	<u>352546</u>	<u>10272</u>	<u>0</u>	<u>362818</u>
Total Other Cap. Assets	\$ 530864	\$ 10272	\$ 0	\$ 541136
<u>Less Accumulated Depreciation for:</u>				
Buildings	(131559)	(1436)	0	(132995)
Furniture & Other Equip.	<u>(280622)</u>	<u>(13208)</u>	<u>0</u>	<u>(293830)</u>
Total Accum. Depreciation	(412181)	(14644)	0	(426825)
Other Capital Assets, Net	118683	(4372)	0	114311
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>204324</u>	\$ <u>(4372)</u>	\$ <u>0</u>	\$ <u>199952</u>

Depreciation was charged to governmental
functions as unallocated.

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2004:

	Balance March 31, 2003	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2004
<u>BUSINESS-TYPE ACTIVITIES</u>				
<u>Capital Assets Not Being Depreciated:</u>				
Land, Easements and Right-of-Way	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Capital Assets:</u>				
Machinery and Equipment	2436	0	0	2436
Sewer Mains/Lines	1737508	0	0	1737508
Total Capital Assets	\$ 1739944	\$ 0	\$ 0	\$ 1739944

(Continued on page 76)

TOWNSHIP OF SAGOLA

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES (Continued)

(Continued from previous page)

	Balance March 31, <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2004</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	\$ (870)	\$ (348)	\$ 0	\$ (1218)
Sewer Mains/Lines	<u>(688587)</u>	<u>(43438)</u>	<u>0</u>	<u>(732025)</u>
Total Accumulated Depreciation	<u>(689457)</u>	<u>(43786)</u>	<u>0</u>	<u>(733243)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>1050487</u>	\$ <u>(43786)</u>	\$ <u>0</u>	\$ <u>1006701</u>

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE I - LONG-TERM DEBT

	Balance 4/01/03	Increases	Decreases	Balance 3/31/04
<u>BUSINESS-TYPE ACTIVITIES</u>				
Sewage Disposal System Revenue Bonds	\$ 77000	\$ -0-	\$ 22000	\$ 55000
TOTAL	\$ 77000	\$ -0-	\$ 22000	\$ 55000

SEWAGE DISPOSAL SYSTEM REVENUE BONDS

The first series bond is designated as the Sewage Disposal System Revenue Bond, dated April 01, 1984. The \$335000 was borrowed from FmHA to help pay part of the cost of acquiring and constructing a Sewage Disposal System.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

SEWAGE DISPOSAL SYSTEM REVENUE BONDS
(Continued)

Beginning on 9/23/87, payment was made to General Electric Capital Corporation as part of the Community Programs loan sale required by the Omnibus Budget Reconciliation Act of 1986.

The National Rural Water Association will be assisting GECC in servicing and making periodic inspections. The Bond will be payable in principal installments on April 1 of each year. The Bond will bear interest at the rate of 5 percent per annum, payable on the first day of April or October following the date of delivery of said installments, and semiannually thereafter on April 1 and October 1 of each year until maturity, or earlier prepayment of said installment.

The annual requirements to amortize all debt outstanding as of March 31, 2004, including interest payments are as follows:

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

SEWAGE DISPOSAL SYSTEM REVENUE BONDS (Continued)

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2005	\$ 6000	\$ 2750	\$ 8750
2006	6000	2450	8450
2007	6000	2150	8150
2008	7000	1850	8850
2009	7000	1500	8500
2010 - 2012	<u>23000</u>	<u>2350</u>	<u>25350</u>
Total	\$ 55000	\$ 13050	\$ 68050

The Township has pledged its full faith and credit for payment of principal and interest on general obligation bond issues recorded as a liability of the Enterprise Fund.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE J - SEGMENT INFORMATION - Enterprise Fund

		<u>Sewer Fund</u>
Operating Revenues	\$	39246
Depreciation and Amortization Expense		9661
Operating Income or (Loss)		11573
Operating Grants, Entitlements, and Shared Revenues		0
Operating Transfers		
In		0
(Out)		0
Tax Revenues		0
Net Income or Loss		10601
Current Capital:		
Contributions		0
Transfers		0
Property, Plant, and Equipment		
Additions		0
Deletions		0

(Continued on page 81)

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE J - SEGMENT INFORMATION - Enterprise Fund (CONTINUED)

(Continued from previous page)

		<u>Sewer Fund</u>
Net Working Capital	\$	121641
Total Assets		1138242
Bonds and Other Long Term		
Liabilities		
Payable from operating		
Revenues		50000
Payable from Other Sources		0
Total Equity	\$	1079448

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

TOWNSHIP OF SAGOLA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there are no related party transactions reported in the financial statements.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF SAGOLA

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

YEAR ENDED MARCH 31, 2004

REVENUES	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL
General property taxes	\$ 45000	\$ 45000	\$ 54805
Other local taxes	48408	48408	51777
Licenses, permits, and fees	996	996	994
Sale of property	0	0	0
Use of money and property	10008	10008	13559
Charges for services-tax collection	3504	3504	0
Charges for services-garbage collection	15000	15000	22472
Cemetery revenues	2004	2004	1850
Miscellaneous	2040	2040	240
Intergovernmental	<u>75004</u>	<u>75004</u>	<u>83952</u>
TOTAL REVENUES	201964	201964	229649
EXPENDITURES			
General government	68760	71427	53883
Legislative	73252	59183	25762
Township property	72720	87642	50079
Cemetery	10800	12069	5447
Sanitation and health	42212	42212	36226
Capital Outlay	<u>6000</u>	<u>6000</u>	<u>1801</u>
TOTAL EXPENDITURES	273744	278533	173198
OTHER FINANCING SOURCES (USES)			
Operating transfers in	0	0	0
Operating transfers out	<u>(30000)</u>	<u>(30000)</u>	<u>(30000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(30000)	(30000)	(30000)
NET CHANGE IN FUND BALANCE	(101780)	(106569)	26451
FUND BALANCE, APRIL 01	475072	475072	475072
FUND BALANCE, MARCH 31	\$ <u>373292</u>	\$ <u>368503</u>	\$ <u>501523</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - FIRE FUND**

YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
General property taxes	\$ 33000	\$ 33000	\$ 41999
Charges for services	204	204	200
Use of money and property	3000	3000	2696
Miscellaneous	<u>600</u>	<u>600</u>	<u>31</u>
TOTAL REVENUES	36804	36804	44926
 <u>EXPENDITURES</u>			
Public safety	24468	24880	20583
Capital outlay	<u>8400</u>	<u>8400</u>	<u>2995</u>
TOTAL EXPENDITURES	32868	33280	23578
 NET CHANGE IN FUND BALANCE	 3936	 3524	 21348
 FUND BALANCE, APRIL 01	 201092	 201092	 201092
FUND BALANCE, MARCH 31	\$ <u>205028</u>	\$ <u>204616</u>	\$ <u>222440</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - RECREATION FUND**

YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	\$ <u>ORIGINAL BUDGET</u>	\$ <u>FINAL AMENDED BUDGET</u>	\$ <u>ACTUAL</u>
Property taxes - special assessment	0	23700	23700
TOTAL REVENUES	0	23700	23700
 <u>EXPENDITURES</u>			
Culture and recreation	3204	26904	24601
Capital outlay	6000	6000	5765
TOTAL EXPENDITURES	9204	32904	30366
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	0	6000	0
NET CHANGE IN FUND BALANCE	(9204)	(3204)	(6666)
FUND BALANCE, APRIL 01	9384	9384	9384
FUND BALANCE, MARCH 31	\$ 180	\$ 6180	\$ 2718

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - ROAD REPAIR

YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
Use of money and property	\$ 996	\$ 996	\$ 712
TOTAL REVENUES	996	996	712
 <u>EXPENDITURES</u>			
Public works	90000	90000	63817
TOTAL EXPENDITURES	90000	90000	63817
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	30000	30000	30000
NET CHANGE IN FUND BALANCE	(59004)	(59004)	(33105)
FUND BALANCE, APRIL 01	87738	87738	87738
FUND BALANCE, MARCH 31	\$ 28734	\$ 28734	\$ 54633

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF SAGOLA

OTHER SUPPLEMENTAL INFORMATION
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

MARCH 31, 2004

	LIQUOR LAW ENFORCEMENT FUND
<u>ASSETS</u>	
Cash and Investments (Note C)	\$ 6921
TOTAL ASSETS	\$ 6921
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Due to Other Funds	46
TOTAL LIABILITIES	46
<u>FUND BALANCE</u>	
Reserved for Liquor Law Enforcement	6875
TOTAL FUND BALANCE	6875
TOTAL LIABILITIES AND FUND BALANCE	\$ 6921

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUND

MARCH 31, 2004

	LIQUOR LAW ENFORCEMENT FUND
<u>REVENUE</u>	
Intergovernmental	\$ 1911
TOTAL REVENUE	\$ 1911
<u>EXPENDITURES</u>	
Current:	
Public safety	885
TOTAL EXPENDITURES	\$ 885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1026
FUND BALANCES - BEGINNING OF YEAR	5849
FUND BALANCES - END OF YEAR	\$ 6875

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

MARCH 31, 2004

<u>ASSETS</u>	<u>LIQUOR</u>	<u>FIRE</u>	<u>RECREA- TION</u>	<u>ROAD REPAIR</u>	<u>TOTALS</u> March 31,	
					<u>2004</u>	<u>2003</u>
Cash and Deposits	\$ 6921	\$ 181136	\$ 1218	\$ 54633	\$ 243908	\$ 264314
Taxes Receivable		3198	1200		4398	3512
Due from Other Funds		<u>38166</u>	<u>300</u>		<u>38466</u>	<u>36343</u>
TOTAL ASSETS	\$ <u>6921</u>	\$ <u>222500</u>	\$ <u>2718</u>	\$ <u>54633</u>	\$ <u>286772</u>	\$ <u>304169</u>
 <u>LIABILITIES AND FUND EQUITY</u>						
<u>LIABILITIES</u>						
Due to Other Funds	<u>46</u>	<u>60</u>	<u>0</u>	<u>0</u>	<u>106</u>	<u>106</u>
TOTAL LIABILITIES	46	60	0	0	106	106
 <u>FUND EQUITY</u>						
Fund Balances:						
Reserved	<u>6875</u>	<u>222440</u>	<u>2718</u>	<u>54633</u>	<u>286666</u>	<u>304063</u>
TOTAL FUND EQUITY	6875	222440	2718	54633	286666	304063
 TOTAL LIABILITIES AND FUND EQUITY	 \$ <u>6921</u>	 \$ <u>222500</u>	 \$ <u>2718</u>	 \$ <u>54633</u>	 \$ <u>286772</u>	 \$ <u>304169</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
ALL SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>LIQUOR</u>	<u>FIRE</u>
Taxes	\$ 1911	\$ 41999
State Grants		
Charges for Services		200
Interest Income		2696
Miscellaneous Grants		
Other	—	31
TOTAL REVENUES	1911	44926
 <u>EXPENDITURES</u>		
Public Safety	885	20583
Public Works		
Recreation and Cultural		
Capital Outlay	—	2995
TOTAL EXPENDITURES	885	23578
 Excess of Revenues Over (Under) Expenditures	 1026	 21348
 Other Financing Sources (Uses)		
Operating Transfers In		
Operating Transfers Out	—	—
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 1026	 21348
 FUND EQUITY, APRIL 1	 5849	 201092
 FUND EQUITY, MARCH 31	 \$ 6875	 \$ 222440

TOWNSHIP OF SAGOLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
ALL SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED MARCH 31, 2004

<u>RECREATION</u>	<u>ROAD REPAIR</u>	<u>TOTALS</u> <u>MARCH 31,</u>	
\$ 23700	\$	2004	2003
		\$ 65699	\$ 40728
		1911	3411
		200	200
	712	3408	5745
		31	650
23700	712	71249	50734
		21468	17093
	63817	63817	38436
24601		24601	2156
<u>5765</u>		<u>8760</u>	<u>5407</u>
<u>30366</u>	<u>63817</u>	<u>118646</u>	<u>63092</u>
(6666)	(63105)	(47397)	(12358)
	30000	30000	25000
(6666)	(33105)	(17397)	12642
<u>9384</u>	<u>87738</u>	<u>304063</u>	<u>291421</u>
\$ <u>2718</u>	\$ <u>54633</u>	\$ <u>286666</u>	\$ <u>304063</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

BALANCE SHEET - GENERAL FUND

MARCH 31, 2004

ASSETS

Cash and Deposits, Unrestricted	\$ 293567
Cash and Deposits, Restricted	177515
Receivables	
Taxes	4302
Accounts	701
Inventory	2074
Due from other funds	<u>67740</u>
TOTAL ASSETS	\$ <u>545899</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Accounts Payable	44376
Due to other funds	<u>0</u>
TOTAL LIABILITIES	44376

FUND EQUITY

Fund Balance	
Reserved	0
Unreserved	<u>501523</u>
TOTAL FUND EQUITY	501523

TOTAL LIABILITIES AND FUND EQUITY	\$ <u>545899</u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

STATEMENT OF REVENUES
ACTUAL AND BUDGET-GENERAL FUND

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Taxes</u>			
Property taxes	\$ 54805	\$	\$
Administration fees	14189		
Other taxes	<u>37588</u>	<u> </u>	<u> </u>
Total taxes	106582	96912	9670
 <u>State Shared Receipts</u>	 <u>83952</u>	 <u> </u>	 <u> </u>
Total State-Shared Receipts	83952	75004	8948
 <u>Charges for Services</u>			
Garbage fees	<u>22472</u>	<u> </u>	<u> </u>
Total Charges for Services	22472	15000	7472
 <u>Interest and Rentals</u>			
Interest	12109		
Rental-Community Building	250		
Rental-Tower	<u>1200</u>	<u> </u>	<u> </u>
Total Interest and Rentals	13559	10008	3551
 <u>Cemetery</u>	 <u>1850</u>	 <u> </u>	 <u> </u>
Total Cemetery	1850	2004	(154)
 <u>Other Revenue</u>			
Refunds	0		
Zoning fees	994		
Other	<u>240</u>	<u> </u>	<u> </u>
Total Other Revenue	<u>1234</u>	<u>3036</u>	<u>(1802)</u>
 TOTAL REVENUES	 \$ 229649	 \$ 201964	 \$ 27685

The notes to the financial statements are integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET - GENERAL FUND**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>LEGISLATIVE:</u>			
Township Board:			
Salaries	\$ 1430	\$	\$ 0
Fringe Benefits	116		
Health Insurance	3670		
Life Insurance	80		
Pension Plan	2538		
Audit	2794		
Legal Services	750		
Mileage	188		
Printing and Publishing	808		
Liability Insurance	8893		
Supplies	1736		
Community Promotion	1218		
Training/Education	260		
Dues	1243		
Miscellaneous	<u>38</u>	<u> </u>	<u> </u>
TOTAL LEGISLATIVE	\$ 25762	\$ 59183	\$ 33421
 <u>GENERAL GOVERNMENT:</u>			
Supervisor:			
Salaries	6140		
Fringe Benefits	497		
Office Supplies	0		
Mileage	0		
Miscellaneous	<u>0</u>	<u> </u>	<u> </u>
Total Supervisor	6637	7788	1151
 Assessor:			
Office Supplies	555		
Contract Services	<u>17100</u>	<u> </u>	<u> </u>
Total Assessor	17655	22800	5145
 Elections:			
Contract Services	945		
Office Supplies	37		
Mileage	42		
Training/Education	0		
Miscellaneous	<u>0</u>	<u> </u>	<u> </u>
Total Elections	\$ 1024	\$ 3420	\$ 2396

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET - GENERAL FUND
(Continued)**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
GENERAL GOVERNMENT: (Continued)			
Clerk:			
Salaries	\$ 9060	\$	\$ 0
Fringe Benefits	734		
Office Supplies	837		
Mileage	5		
Miscellaneous	<u>0</u>	<u> </u>	<u> </u>
Total Clerk	10636	11771	1135
Treasurer:			
Salaries	9080		
Fringe Benefits	736		
Office Supplies	1903		
Mileage	48		
Miscellaneous	<u>0</u>	<u> </u>	<u> </u>
Total Treasurer	11767	14481	2714
Board of Review:			
Salaries	724		
Fringe Benefits	59		
Office Supplies	39		
Mileage	30		
Miscellaneous	<u>103</u>	<u> </u>	<u> </u>
Total Board of Review	955	2493	1538
Zoning Board:			
Salaries	2960		
Fringe Benefits	240		
Publishing/Printing	520		
Office Supplies	162		
Mileage	127		
Miscellaneous	<u>0</u>	<u> </u>	<u> </u>
Total Zoning Board	4009	6574	2565
Enforcement Officer:			
Contract Services	1200		
Miscellaneous	<u>0</u>	<u> </u>	<u> </u>
Total Enforcement Officer	1200	2100	900
TOTAL GENERAL GOVERNMENT	\$ 53883	\$ 71427	\$ 17544

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET - GENERAL FUND
(Continued)**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>TOWNSHIP PROPERTY</u>			
Township Hall:			
Salaries	\$ 21669	\$	\$
Fringe Benefits	1755		
Office Supplies	0		
Repairs and Maintenance	5042		
Utilities	16940		
Monthly Sewer Fees	552		
Contracted Services	706		
Miscellaneous	130		
Operating Supplies	<u>3285</u>	<u> </u>	<u> </u>
TOTAL TOWNSHIP PROPERTY	50079	87642	37563
 <u>CEMETERY</u>			
Salaries	3079		
Fringe Benefits	249		
Repairs and Maintenance	214		
Operating Supplies	80		
Mileage	0		
Miscellaneous	111		
Contracted Services	<u>1714</u>	<u> </u>	<u> </u>
TOTAL CEMETERY	5447	12069	6622
 <u>SANITATION AND HEALTH</u>			
Waste Management:			
Salaries	\$ 0	\$	\$
Fringe Benefits	0		
Contracted Services	34503		
Mileage	170		
Supplies	1553		
Printing and Publishing	0		
Miscellaneous	<u>0</u>	<u> </u>	<u> </u>
TOTAL SANITATION AND HEALTH	36226	42212	5986
 CAPITAL OUTLAY	1801	6000	4199
 TOTAL EXPENDITURES - GENERAL FUND	\$ <u>173198</u>	\$ <u>278533</u>	\$ <u>105335</u>

The notes to the financial statements are an integral part or this report.

TOWNSHIP OF SAGOLA

BALANCE SHEET
LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2004

ASSETS

Cash and Deposits	\$ 6921
TOTAL ASSETS	\$ 6921

LIABILITIES AND FUND EQUITY
LIABILITIES

Due to Other Funds	\$ 46
TOTAL LIABILITIES	46

FUND EQUITY

Fund Balance - Reserved for Liquor Law Enforcement	6875
TOTAL FUND EQUITY	6875

TOTAL LIABILITIES AND FUND EQUITY	\$ 6921
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
ACTUAL AND BUDGET - LIQUOR LAW ENFORCEMENT FUND**

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
State Grants	\$ <u>1911</u>	\$ <u>1800</u>	\$ <u>111</u>
TOTAL REVENUES	1911	1800	111
 <u>EXPENDITURES</u>			
PUBLIC SAFETY:			
Salaries	600	600	0
Fringe Benefits	45	60	15
Mileage	240	240	0
Capital Outlay	<u>0</u>	<u>996</u>	<u>996</u>
 TOTAL EXPENDITURES	 <u>885</u>	 <u>1896</u>	 <u>1011</u>
Excess of Revenues Over (Under) Expenditures	1026	(96)	1122
 FUND EQUITY, APRIL 1	 <u>5849</u>		
FUND EQUITY, MARCH 31	\$ <u>6875</u>		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

BALANCE SHEET
FIRE FUND

MARCH 31, 2004

ASSETS

Cash and Deposits	\$ 181136
Delinquent Taxes Receivable	3198
Due from Other Funds	<u>38166</u>
TOTAL ASSETS	\$ <u>222500</u>

LIABILITIES AND FUND EQUITY
LIABILITIES

Due to Other Funds	<u>60</u>
TOTAL LIABILITIES	60

FUND EQUITY

Fund Balance - Reserved for fire protection	<u>222440</u>
TOTAL FUND EQUITY	\$ 222440
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>222500</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
ACTUAL AND BUDGET - FIRE FUND**

FISCAL YEAR ENDED MARCH 31, 2004

			VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	
Taxes	\$ 41999	\$ 33000	\$ 8999
Charges for Services	200	204	(4)
Interest Income	2696	3000	(304)
State Grants	0	0	0
Other Income	<u>31</u>	<u>600</u>	<u>(569)</u>
TOTAL REVENUES	44926	36804	8122
<u>EXPENDITURES</u>			
Public Safety:			
Salaries	1860	2004	144
Fringe Benefits	142	144	2
Office Expense	0	96	96
Supplies	4070	4404	334
Repairs and Maintenance	1787	2256	469
Utilities	3573	5256	1683
Insurance	8140	8400	260
Travel	0	504	504
Contract Services	0	504	504
Educational Training	511	520	9
Other	500	792	292
Capital Outlay	<u>2995</u>	<u>8400</u>	<u>5405</u>
TOTAL EXPENDITURES	<u>23578</u>	<u>33280</u>	<u>9702</u>
Excess of Revenues Over (Under) Expenditures	21348	3524	17824
Other Financing Sources (Uses) Operating Transfer In	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	21348	3524	17824
FUND EQUITY, APRIL 1	201092		
FUND EQUITY, MARCH 31	<u>\$ 222440</u>		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

BALANCE SHEET
RECREATION FUND

MARCH 31, 2004

ASSETS

Cash and Deposits	\$	1218
Receivables:		
Taxes		1200
Due from Other Funds		<u>300</u>
TOTAL ASSETS	\$	<u>2718</u>

FUND EQUITY

Fund Balance - Reserved for recreation	\$	<u>2718</u>
TOTAL FUND EQUITY	\$	<u>2718</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
ACTUAL AND BUDGET - RECREATION FUND**

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Taxes - Special Assessment	\$ 23700	\$ 23700	\$ 0
TOTAL REVENUE	23700	23700	0
 <u>EXPENDITURES</u>			
Recreation and Cultural:			
Utilities	180	204	24
Repair and Maintenance	1367	2400	1033
Professional Services	23054	23700	646
Supplies	0	0	0
Other	0	600	600
Capital Outlay	<u>5765</u>	<u>6000</u>	<u>235</u>
TOTAL EXPENDITURES	<u>30366</u>	<u>32904</u>	<u>2538</u>
 Excess of Revenue Over (Under) Expenditures	 (6666)	 (9204)	 2538
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>0</u>	<u>6000</u>	<u>(6000)</u>
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 (6666)	 (3204)	 (3462)
 FUND EQUITY, APRIL 1	 <u>9384</u>		
FUND EQUITY, MARCH 31	\$ <u>2718</u>		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

BALANCE SHEET
ROAD REPAIR FUND

MARCH 31, 2004

ASSETS

Cash and Deposits	\$ 54633
Due from General Fund	<u>0</u>
TOTAL ASSETS	\$ <u>54633</u>

FUND EQUITY

Fund Balance - Reserved for road repair	\$ <u>54633</u>
TOTAL FUND EQUITY	\$ <u>54633</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
ACTUAL AND BUDGET - ROAD REPAIR FUND**

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Interest	\$ <u>712</u>	\$ <u>996</u>	\$ <u>(284)</u>
TOTAL REVENUES	712	996	(284)
 <u>EXPENDITURES</u>			
Public Works:			
Road Repair	<u>63817</u>	<u>90000</u>	<u>26183</u>
TOTAL EXPENDITURES	<u>63817</u>	<u>90000</u>	<u>26183</u>
 Excess of Revenues Over (Under) Expenditures	 (63105)	 (89004)	 25899
Other Financing Sources (Uses) Operating Transfers In (Out)	 <u>30000</u>	 <u>30000</u>	 <u>0</u>
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 (33105)	 (59004)	 25899
 FUND EQUITY, APRIL 1	 <u>87738</u>		
FUND EQUITY, MARCH 31	\$ <u>54633</u>		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF SAGOLA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TRUST AND AGENCY FUND**

FISCAL YEAR ENDED MARCH 31, 2004

<u>ASSETS</u>	<u>Balance</u> <u>3/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
Cash in bank checking	\$ <u>173650</u>	\$ <u>1413774</u>	\$ <u>1246387</u>	\$ <u>341037</u>
TOTAL ASSETS	\$ <u>173650</u>	\$ <u>1413774</u>	\$ <u>1246387</u>	\$ <u>341037</u>
 <u>LIABILITIES</u>				
Due to Other funds	\$ 104589	\$ 130828	\$ 126997	\$ 108420
Due to State of Michigan	12177	12177	12177	12177
Due to North Dickinson School	3728	660491	658256	5963
Due to ISD	2074	81655	82689	1040
Due to County	14085	490071	329271	174885
Due to Star Ambulance	36343	38216	36343	38216
Due to Other	<u>654</u>	<u>336</u>	<u>654</u>	<u>336</u>
TOTAL LIABILITIES	\$ <u>173650</u>	\$ <u>1413774</u>	\$ <u>1246387</u>	\$ <u>341037</u>

The notes to the financial statements are an integral part of this report.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

DS Rostagno, CPA, P.C.

**101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Township of Sagola
Channing, Michigan 48915

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended March 31, 2004, which collectively comprise the **Township of Sagola's** financial statements, and have issued our report thereon dated May 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

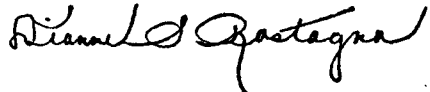
As part of obtaining reasonable assurance about whether the **Township of Sagola's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Township of Sagola's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Dianne S. Rostagno".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

May 27, 2004

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935

Tel (906) 265-1040 Fax (906) 265-1042

May 27, 2004

Board of Trustees
Township of Sagola
Channing, Michigan

I have audited the financial statements of the **Township of Sagola** for the year ended March 31, 2004, and have issued my report thereon dated May 27, 2004. Professional standards require that I provide you with the following information related to the audit:

My Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated April 28, 2004, my responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by me.

As part of the audit, I considered the internal control of the **Township of Sagola**. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the **Township of Sagola's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the **Township of Sagola** are described in the Note to the financial statements. With the exception of the implementation of GASB 34, there were no new accounting policies adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by the **Township of Sagola** during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. These adjustments may include those proposed by me but not recorded by the Township of Sagola that could potentially cause future financial statements to be materially misstated, even though I have concluded that such adjustments are not material to the current financial statements. I proposed no audit adjustments that could, in my judgment, either individually or in the aggregate, have a significant effect on the Township of Sagola's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Sagola's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of the Township of Sagola and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.